

Gary, Indiana's Airport Looks to Next Stage (The Bond Buyer)

By: Nora Colomer

DALLAS — The Gary/Chicago International Airport Authority may seek another round of bond funding after a year that saw a 13.2% rise in its operations following the expansion of its main runway.

The airport is in the struggling city of Gary, Indiana, only 25 miles from downtown Chicago.

The authority is still in the early stages of its master plan update but has hired a team to begin work on the program and is expects to eventually issue bonds to fund projects, an official said.

Two years ago the airport issued \$30 million of bonds to complete a \$174 million runway expansion project under public-private partnership aimed at revitalizing the city and positioning the facility as Chicago's third regional airport. At the end of November, the airport reported 23,785 total operations, up from 22,029 operations at the close of 2014.

With the runway expansion completed, airport executive director Dan Vicari said the airport will turn its attention to updating its master plan with several major projects expected.

The Federal Aviation Administration recommends airport master plan studies be updated approximately every 10 years. Gary/Chicago International Airport's current master plan was last updated in 2001.

Vicari said that the current masterplan update will compliment and help inform elements of the visioning document prepared under the airport's public-private partnership with AvPORTS released in March 2015.

"At some point" in the process the airport intends to issue bonds, said Vicari. "We'll need capital for projects that will come from the master plan update and will absolutely be looking at bonding options."

The airport authority recently approved a contract with the transportation and airport planning consulting firm Jacobsen/Daniels to update the master plan. The team, which includes four local contractors, will produce a plan to guide the next decade of development at the airport.

The updated program is expected to call for several major projects and may include the development of a new passenger terminal, new rental car facilities, and expanded cargo area, general aviation payments and possibly expanded customs facilities. Vicari said that the master plan update will take anywhere between 12 to 18 months to complete.

Vicari said that the airport wants to build a customs facility to support international growth.

The last master plan included the \$174 million expansion of the airport's main runway, bringing the length to 8,900 feet and allowing the airport to accommodate larger aircraft and serve any destination in the world.

The airport issued \$30 million tax increment-backed airport development zone revenue bonds for the final piece in the financing scheme.

The deal included a mix of serial and term bonds that were rated BBB-plus by Standard & Poor's and BBB by Fitch Ratings. The public-private partnership calls for private operation of the airport and the development of a large swath of land surrounding the airport.

The airport's current primary service is cargo, charter and light general aviation. The new private operator, Washington DC-based AvPorts, is finalizing a proposal that will lay out a yet-to-be-announced service mix designed to make the airport profitable within five years.

A separate private team, called AFCO Gary LLC, which includes Guggenheim Securities and Loop Capital, is developing land surrounding the area for industrial use. The team is required to invest \$25 million over the next three years and \$100 million over the 40-year life of the agreement.